

## **FINANCE DIRECTOR**

### **Fiscal Year 2014**

The Finance Director is responsible for the coordination of all financial activities of the Town, managing and coordinating the activities of the Finance Department (Accounting, Assessing, Collections, and Treasury), developing operating and capital budgets and appropriate budgetary controls, and for effective financial planning and management of debt and debt policies. He also serves as the primary staff liaison to the Finance Committee, Joint Capital Planning Committee, and the Budget Coordinating Group.

#### ***FY 14 Budget***

Town Meeting passed a General Fund budget of \$68,246,291, an increase of 2.7% from the previous year. In addition, Town Meeting appropriated of \$120,000 from Free Cash, \$90,000 as a contingency to fund social services in case the Town's application for federal Community Development Block Grant (CDBG) funds was denied. The Town eventually received partial CDBG funding, and the additional appropriation was not needed. Thirty thousand dollars (\$30,000) from Free Cash went to fund a Town-Gown Study and was matched by the same amount from the University of Massachusetts. The UMass Chancellor, Kumble Subbaswamy, addressed the Annual Town Meeting in support of that study. The tax rate was set to tax at the full levy limit. State Aid increased 3.4% from FY 13, however, most of that increase was attributed to new School Choice revenue paid directly to the Elementary Schools. The total increase of State Aid available for the overall budget was only 1.7%. Some local receipts – from the hotel/motel tax, the local meals tax, and motor vehicle excise taxes – were budgeted at higher levels than in previous years, reflecting a trend of increased receipts over time. A significant factor contributing to a balanced budget was the Town's favorable experience with health insurance. The health insurance trust fund had strong balances, and claims data for the year were modest enough that it was possible to have no rate increase for either the active employee plans or the retiree plans for the fourth year in a row, notwithstanding industry rate increases of 10% or higher.

The fiscal year closed with a surplus of \$1.67 million (on an unaudited basis), which was equal to 2.4% of revenue. These figures are consistent with surpluses over previous years. By far, the largest part of the surplus derived from revenues that were higher than original projections. Areas that contributed to this surplus included very strong property tax collections, increases in licenses and permits, particularly building permits, and Medicaid reimbursement. Departments expended 99.3% of their budgets, resulting in a turnback of \$489,194.

At the Fall Special Town Meeting \$156,118 was appropriated to the Town's Other Post Employment Benefits (OPEB) Trust Fund to meet the long term costs associated with health insurance benefits for retired Town employees. The State certified Free Cash at \$4,860,062, and the Fall Special Town Meeting transferred \$1,326,223 to the Stabilization Fund, in accordance with the Town's Financial Policies that recommend transferring any amount of Free Cash in excess of 5% of the operating budget to the Stabilization Fund. Total Reserves, Free Cash and Stabilization Fund, started the year at \$7,654,544, or 11.2% of the General Fund budget, just past the mid-point of the Town's policy of maintaining between 5% and 15% of revenue as reserves in case of a drop in State Aid or local revenue.

#### ***Bond Sale and Rating Increase***

In March 2014, the Town conducted a very successful bond sale, selling \$3.3 million in bonds. One million each was for Water and Sewer work on Pine St. The remaining amounts were divided among \$170,000 for Community Preservation Act purchase of open space on South East St. and for repairs to low-income housing at the Ann Whalen House; \$400,000 for a new Fire Pumper Engine; \$425,000 for

three new DPW trucks; and \$306,000 for the second phase of the Town's program to plant 2,000 public shade trees throughout town. The interest rate on the bonds was 2.6%. Standard & Poor's increased the Town's bond rating to AA+, its second highest rating. It cited the Town's, "Strong budgetary performance and flexibility; very strong liquidity, low debt profile and rapid amortization schedule; and very strong management, financial policies and metrics, and good reserve ratios" as well as the Town's implementation of a plan to fund its OPEB obligations to support the ratings upgrade.

***Acknowledgements***

I want to acknowledge the hardworking employees in the Finance Department who perform necessary, critical, and often thankless work in the Accounting, Tax Collection, Assessing, and Treasury functions in support of Town services. They are highly skilled and professional, dedicated to their jobs, and willing to solve the problems and challenges that often arise in these offices. Their success has been acknowledged by our independent auditors who report timely and accurate financial reporting, strong cash management and investment practices, and sound internal controls. Other indicators include our strong tax collection rates (regularly in excess of 98% annually) and accurate and equitable property tax assessments with abatements well below 1%, as well as the March 2014 upgrade in the Town's bond rating. The Town's finances are well managed by this excellent staff.

Submitted by,  
Sanford M. Pooler  
Finance Director